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Message Text

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43
ACTION EUR-12

INFO OCT-01 ISO-00 DODE-00 CIAE-00 PM-04 INR-07 L-03

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INFO AMEMBASSY BERLIN
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AMEMBASSY SOFIA
AMEMBASSY WARSAW

UNCLAS USNATO 5956

E.O. 11652: N/A
TAGS: NATO ECON EEWT UR XH
SUBJ: ECONADS: ECONOMIC DIRECTORATE REPORT ON ALLIES' TRADE
WITH COMMUNIST COUNTRIES, 1974

REF: WORKING PAPER AC/127-WP/442

1. ON OCTOBER 28 WE POUCHED TO DEPARTMENT IN 8 COPIES (AND TO DOD IN 15) REFDOC, THE DRAFT 12TH REPORT ON NATO COUNTRIES' TRADE WITH COMMUNIST COUNTRIES IN 1974. SINGLE COPIES ARE ALSO BEING POUCHED TO ADDRESSEE POSTS.

2. WHILE THIS REPORT WILL BE ON THE AGENDA FOR THE NOVEMBER 6 ECONADS MEETING, WE HAVE POINTED OUT TO CHAIRMAN BILLY THAT US AUTHORITIES WOULD NOT YET BE IN A POSITION TO COMMENT SINCE THEY WOULD NOT HAVE SEEN THE FULL REPORT. SINCE IT IS PROPOSED THAT THIS REPORT BE PART OF THE PREPARATORY MATERIAL FOR THE DECEMBER NAC MINISTERIAL, BILLY IS LOATHE TO POSTPONE ITS ISSUANCE IN FINAL UNCLASSIFIED

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FORM MUCH BEYOND MID-NOVEMBER, AND REQUESTS THAT US COMMENTS BE FORTHCOMING NLT THE NOVEMBER 13 MEETING.

3. TO ASSIST INTERESTED WASHINGTON AGENCIES, WE QUOTE SUMMARY

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PORTION OF THE DRAFT:

BEGIN TEXT:

NATO COUNTRY TRADE TURNOVER WITH COMMUNIST COUNTRIES INCREASED BY ALMOST ONE THIRD IN 1974 TO REACH DOLS 31.7 BILLION; AN OVERALL SURPLUS OF DOLS 4.3 BILLION WAS RECORDED. THE BULK OF THE SURPLUS, DERIVED PRIMARILY FROM TRADE WITH EAST EUROPEAN COUNTRIES AND WITH CHINA, ACCRUED TO GERMANY (DOLS 3.0 BILLION) AND THE UNITED STATES (DOLS 1.2 BILLION).

2. EXPORTS TO EAST EUROPEAN COUNTRIES RECORDED THE MOST DYNAMIC GROWTH - 41 PERCENT. GROWTH IN SALES TO THE USSR REGISTERED A SIGNIFICANT CONTRACTION FALLING FROM 61 PERCENT IN 1973 TO 13 PERCENT IN 1974 OWING TO REDUCED SOVIET GRAIN PURCHASES. THE DOWNTURN IN THE GROWTH OF EXPORTS TO CHINA WAS EVEN MORE MARKED: SALES INCREASED BY 29 PERCENT COMPARED TO 129 PERCENT IN 1973.

3. IMPORTS FROM THE SOVIET UNION RECORDED THE MOST RAPID GROWTH - 48 PERCENT. PURCHASES IN EAST EUROPEAN COUNTRIES AND CHINA ROSE LESS FAST - 25 PERCENT AND 28 PERCENT, RESPECTIVELY.

4. INFLATIONARY PRICE INCREASES REACHING 20-25 PERCENT ACCOUNTED FOR THE BULK OF GROWTH IN NATO EXPORTS TO COMMUNIST COUNTRIES.

5. THE IMPACT OF INFLATION WAS ALSO REFLECTED IN NATO IMPORTS FROM COMMUNIST COUNTRIES AND, IN PARTICULAR, FROM THE SOVIET UNION. THE SHARP RISE IN WORLD PRICES OF OIL, TIMBER, METALS AND OTHER RAW MATERIALS, OF WHICH THE USSR IS A MAJOR EXPORTER, ENABLED THAT COUNTRY TO INCREASE SIGNIFICANTLY ITS EXPORTS TO THE ALLIANCE IN VALUE TERMS BUT NOT IN VOLUME. IN CONTRAST, CHINA AND MOST EAST EUROPEAN COUNTRIES PROBABLY HAD TO EXPAND THE VOLUME TO THEIR EXPORTS IN ORDER TO MAINTAIN OR INCREASE THEIR EXPORT EARNINGS; RECESSION AND FALLING DEMAND IN THE WESTS CONSTITUTING A SERIOUS IMPEDIMENT TO A SHARP INCREASE IN THEIR EXPORT PRICES.
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6. AMONG THE ALLIANCE COUNTRIES GERMANY CONTINUED TO BE THE LEADING TRADING PARTNER, ACCOUNTING FOR ALMOST 40 PERCENT OF TOTAL NATO TRADE TURNOVER TIWHT COMMUNIST COUNTRIES. GERMANY SUPPLIED ALMOST ONE HALF OF TOTAL NATO EXPORTS TO EAST EUROPEAN COUNTRIES, AND 38 PERCENT OF THOSE TO THE USSR. ITS SHARE IN TOTAL NATO PURCHASES FROM THOSE TWO AREAS WAS 39 PERCENT AND 25 PERCENT RESPECTIVELY. GERMANY ACCOUNTED FOR ALMOST ONE-FIFTH OF NATO TRADE WITH CHINA.

7. ITALY WAS THE SECOND LARGEST TRADING PARTNER OF COMMUNIST COUNTRIES WITH A TRADE TURNOVER AMOUNTING TO DOLS 3.8 BILLION. ITALIAN SALES REGISTERED A RECORD EXPANSION OF 65 PERCENT - THE HIGHEST IN THE LAST FIVE YEARS AS WELL AS AMONG

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THE ALLIES - WITH THE ONLY EXCEPTION OF PORTUGAL. ITALY REDUCED SHARPLY THE GROWTH OF ITS PURCHASES IN EAST EUROPEAN COUNTRIES (FROM 32 PERCENT IN 1973 TO 5 PERCENT IN 1974). PURCHASES IN CHINA WERE CUT DOWN BY 9 PEFENT. IMPORTS FROM THE SOVIET UNION, HOWEVER, ROSE SUBSTANTIALLY - 81 PERCENT - AS A RESULT OF INCREASED OIL IMPORT BILL.

8. IN 1975, NATO COUNTRIES MAY SCORE A SIZEABLE EXPORT SURPLUS IN THEIR TRADE WITH THE USSR WHICH WILL EXCEED DOLS 1 BILLION AS A RESULT OF A STEADY GROWTH IN EXPORTS, INCLUDING GRAIN SALES, AND A SLOWDOWN IN IMPORTS BECAUSE OF THE RECESSION.

9. GROWTH IN TRADE WITH EAST EUROPEAN COUNTRIES MAY WELL DECLINE; NATO COUNTRIES ARE EXPECTED, NEVERTHELESS, TO ACCUMULATE A LARGE TRADE SURPLUS OF THE ORDER OF DOLS 3 BILLION.

10. TRADE WITH CHINA WILL PROBABLY CONTRACT FURTHER, DECLINING POSSIBLY BY AS MUCH AS ONE QUARTER.

1. IN 1976, THE TWO-WAY TRADE BETWEEN NATO COUNTRIES AND EAST EUROPEAN COUNTRIES WILL PROBABLY SLOW DOWN. BY CONTRAST, THE EXPANSION OF TRADE WITH THE SOVIET UNION IS LIKELY TO CONTINUE.

END TEXT.

4. ACTION REQUESTED: EARLIEST FEASIBLE TRANSMISSION OF
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COMMENTS OR CORRECTIONS. IF IT APPEARS THAT THIS WILL NOT BE POSSIBLE BY NOV. 13, PLEASE CONFIRM TO US RPE'S DATE OF RECEIPT, WHICH WE COULD THEN USE AS ARGUMENT (IF NECESSARY) FOR FURTHER POSTPONEMENT.STREATOR

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<< END OF DOCUMENT >>

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BELGRADE
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